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Book Reviews

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AMERICAN PROSPERITY, ITS CAUSES AND CONSEQUENCES, by
PAUL M. MAZUR. *The Viking Press*, New York. 268 pages.

Under the title, *American Prosperity, Its Causes and Consequences*, the author, a member of the investment banking firm of Lehman Brothers, sets forth his "non-statistical, non-academic observation of the forces that business has evoked, the conflicts that exist between them, and a guess as to the outcome." The treatment of the subject stimulates the imagination and interest.

The period from the last half of the nineteenth century to the world war is reviewed. It is during this period that production on a mass basis was developed. Advertising played a leading part in making this possible and commenced to create the problem of high cost of distribution. Retailing also developed greatly in the form of chain grocery stores, chain "five and ten cents" stores and department stores, the latter with beautiful buildings and store fixtures, expensive delivery departments and costly customers' services, and already having their joint buying organizations. By extensive advertising, the consumer's primary requirements of food, clothing and shelter were supplemented by demands for conveniences and even for luxuries. The instalment plan and obsolescence had already become factors in the retail trade.

During the war, with the continuity of employment, high wages, and the stimulus of large expenditures for advertising at the government's expense (because of high taxes), there was created a sellers' market with resultant high profits. The deflation years, 1920 and 1921, brought a temporary halt to this prosperity.

The analysis of the causes for the re-establishment of prosperity in the subsequent years is interesting. The building situation, the suburban development, the building of the industrial southeast, the export situation and hand-to-mouth buying are outlined. The part played by advertising of national brands, intensive sales campaigns, the increase of the obsolescence factor and instalment selling are considered.

Particularly interesting are the author's views with regard to instalment selling. He states:

"That instalment selling has added to the cost of distribution cannot be contradicted. That it has actually increased prices to the consumer is less certain. In some cases the serial method of purchase undoubtedly adds to the cost to the consumer. In other cases, however, it is very likely that it has reduced the ultimate cost to the consumer; and in general the question cannot be answered. Seventy to eighty per cent. of the automobiles sold are purchased upon an instalment basis. What effect upon the annual production of cars the elimination of that basis would have can be only imagined; but apparently no automobile manufacturer is willing to hazard the risk of the experiment of converting his sales plan to an all-cash basis. The elimination of the instalment plan would be certain to reduce greatly the sales of the automotive industry. What effect that reduction would have, however, subsequently on the manufacturing cost is another conundrum for the instalment antagonist. And

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such an antagonist must compare that unknown figure of increased cost with the known cost of selling on the instalment plan before he can state positively that the instalment plan raises the price of automobiles to the consumer. And, finally, even the cash customer must estimate what his cash payment would buy in automobile value if the volume of instalment sales suddenly disappeared and reduced the annual production of his chosen automobile."

It is indeed a viewpoint which many individuals have entirely overlooked in discussing the subject.

The obsolescence factor intended as a stimulant for increased sales has grown to a point at which it is causing a serious conflict which is tending to interfere with mass production. The more often styles are changed, the more difficult does it become to retain mass production.

Another cause for future doubt is the condition in Europe in its recovery from the war. The author states:

"The conflict between America's new position as a creditor nation and her established status as an export nation will be born of her present financial relationship with Europe, but the influence of that conflict will not be only financial but industrial. The presence of these rocks and shoals in the future of the nation's development are additional problems that await those business men who are to guide the American ship of commerce and industry over a largely uncharted and possibly troubled sea."

To meet these conditions we are entering upon a period of "merchandised production" which is defined as the "balancing of production or purchasing schedules with carefully determined sales possibilities in such a way as to obtain the greatest net profit consistent with reasonable risk." The policy of Ford and that of General Motors are contrasted, the latter having foreseen this condition and gained leadership thereby.

All these factors are tending to necessitate consolidation—of the horizontal, vertical and "circular" types. In fact, the author states that the present period may well be called the "era of consolidation." It is taking place in all fields of activity. The advantages of consolidation, with most of which the accountant is familiar, are discussed: the elimination of competition, the reduction of costs, the withdrawal of part of the owners' capital, the increase in value through marketability, the possibilities of better management, the ability to undertake extensive experimental work, as well as many others.

The chapters devoted to the conflict between mass production and obsolescence, between wholesaler and retailer and among the various types of retailers are particularly interesting and cover a field upon which comparatively little has appeared in print. These subjects are the vital ones which the business world has already commenced to face and they will become increasingly important in the years to come. Upon their effective solution will depend, in a large measure, the prosperity of the country. The probable outcome "guessed" by the author furnishes considerable room for thought and study.

As a whole, the book reminds one a great deal of the many "outlines" on various subjects that have appeared recently. It might well be called an outline. It is written from the point of view of one who stands at a distance and surveys the entire business field. It will be found interesting and instructive both to the accountant and to the business man.

J. P. FRIEDMAN.

BILANZ- UND BETRIEBSANALYSE IN AMERIKA, by KURT SCHMALTZ.
C. E. Poeschel Verlag, Stuttgart. 281 pages.

One hundred years ago Sydney Smith asked, "Who ever reads an American book?" If limited so as to apply solely to books on accounting, the question might appropriately have been asked at a much more recent date, not because of the poor quality of American treatises on accounting, but because of their non-existence. One needs only to recall the modest beginning of the standard work on auditing, when all the author attempted was to produce an American edition of Dicksee's work. Evidence of the progress made in recent years appears in Dr. Schmaltz's work, where the author finds the American works so numerous as to require a three-hundred-page treatise to describe balance-sheet analysis in America in reference to its applicability to Germany.

This work consists of two parts, the first a general survey of the status of accounting in America. Attention is called to legal regulations, the activities of certified public accountants, and the influence of banks, universities and trade associations. There is also a description of accounting practice in America in reference to the preparation of the balance-sheet and the income statement and to the rules for valuing assets. It is gratifying to note the high tribute paid to THE JOURNAL OF ACCOUNTANCY.

The second part of the book is more important, consisting of a careful study of American authors who have written on the analysis of accounts. A special emphasis is placed upon the writings of Bliss, Schluter, Gilman, Wall and Roe. The book closes with an extensive bibliography.

While it is gratifying to Americans to find so great an interest attached to the work of American accountants, the book is of greater value to German readers than to American. For our purposes it would be more satisfactory if the German point of view were not taken for granted and if the contrast in the practice in the two countries were more clearly brought out; but it should not be considered a criticism of the book that it is adapted so well to the clientele for which it is intended. American readers will perhaps be surprised by the statement that in the field of industrial accounting, while Americans excel in technique, Germany leads in matters of theory.

HENRY RAND HATFIELD.

THE INCOME TAX IN GREAT BRITAIN AND THE UNITED STATES, by HARRISON B. SPAULDING. *P. G. King & Son, Ltd., London. 320 pages.*

To anyone almost innocent of the tedious technicalities of taxation tasks, the dilatory doings of the departments, the gloom and gibberish of the glossaries and the lethargy of legislators, *The Income Tax in Great Britain and the United States* will be of absorbing interest.

The comparative method (one of the most powerful known to psychologists) is used to illustrate the differences in the history, theory and practice of British and American income-tax laws and procedures.

In the absence of gross or glaring errors, a wise man will not spend his time in checking the weekly laundry bill or the monthly telephone account; nor will he, after reading this book, be inclined to sit up nights himself to rectify the annual tax assessment.

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In view of these circumstances, the author makes one curious omission in failing to do justice (pp. 257 and 258) to the important parts played in regard to income tax by public accountants in both countries. There are two pertinent explanations for this: Dr. Spaulding is a lawyer not in practice in the U. S. A.; and he acknowledges help from Dr. Hugh Dalton who, though a member of parliament and a brilliant professor of economics, actually undertook to make lay audits of the Royal Economic Society until the point was argued successfully before Lord Haldane at the 1925 meeting of that society, when professional auditors were appointed.

C. S. BRISON.

COMMERCIAL LAW, by AMSTER. *Globe Book Company*, New York.
162 pages.

Greater efficiency through the saving of time and effort by brevity, simplified systems and the obviation of cumbersome and unnecessary methods are the trends of the times. The accountancy profession in particular has been a great contributor to the perfection of modern efficiency. Extension of such methods to education and educational systems, however, must be carried out with great caution, lest the student acquire only a superficial knowledge, sufficient perhaps to enable him to succeed in passing required examinations, but forgotten soon thereafter.

Amster's *Commercial Law*, containing only 162 pages of text, reaches the border line of permissible brevity. It would be more properly titled if it had been given the name used by the author in the preface. As an "outline of commercial law" it is an excellently arranged synopsis of a complete course in commercial law. Its definitions and explanations of fundamental principles are clear and concise and are set forth in their logical sequence with a few brief illustrations and test questions and problems. If used as the author undoubtedly intended it to be used, as an auxiliary to the usual textbooks or case books, as an aid to instructors in commercial law, or as a guide for review work, its brevity will be found to be a distinct contribution to simplification of the study of the subject. But the untutored student, he who is seeking to acquire his education outside of the classroom, must use it with caution. In his hands it must be looked upon as taking the place of his teacher or instructor and not as the medium through which he is to educate himself in the subject. For such education can come only through the use of works which treat the subject at sufficient length to train the student to consider legal things from a legal and not a lay viewpoint, rather than to train him to depend entirely upon memory.

C. H. HEBNER.